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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

Financial performance report for the biennium 1992-1993

Submitted by the Director-General

Summary

Itemizes the utilization of financial resources during the period 1 January 1992 to 31 December 1993 in accordance with Programme and Budget Committee conclusion 1987/19.

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Introduction

1. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee requested the Director-General to submit each year to the Industrial Development Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources.

2. The regular budget performance report for 1992 was included in document IDB.11/6-PBC.9/8. The present financial performance report covers the biennium 1992-1993 and provides a comparison of expenditures with the estimates included in the programme and budgets approved by the General Conference at its fourth session (GC.4/Res.27) and amended in the revised appropriations for 1992-1993 as contained in document GC.5/26.

3. The audited financial statements for the biennium ending 31 December 1993 are included in the report of the External Auditor, which is contained in document IDB.13/7-PBC.10/8. The information in chapter II of the present document should be read in conjunction with those financial statements.

I. BUDGET PERFORMANCE REPORT

A. Regular budget

Appropriations/budget estimates/
cost reimbursement income

4. In its resolution GC.4/Res.27 the General Conference appropriated for the biennium 1992-1993 an amount of $181,013,400 on the basis of an exchange rate of US$ 1 = AS 12.90. In accordance with paragraph 2 of that resolution, the appropriations were subsequently adjusted to take into account the exchange rate variations during the biennium. The application of the average exchange rate for the biennium of US$ 1 = AS 11.26 to the appropriations resulted in a restatement of those appropriations to $204,312,600.

5. The appropriations consisted of gross budget estimates of $242,230,300 and cost reimbursement income estimates of $37,917,700.

6. A revision to the appropriations by major programme resulting from a transfer of resources within major objects of expenditure was reported to the Industrial Development Board in document IDB.11/6-PBC.9/8 and to the General Conference in document GC.5/26. There were no transfers of expenditure between major objects of expenditure during the biennium.

7. Actual expenditures and income for the biennium 1992-1993 are compared with the approved gross budget estimates and cost reimbursement income in two formats: by major programme (annex I) and by major object of expenditure (annex II).

8. Expenditures for the 1992-1993 biennium were $18,114,300 less and cost reimbursement income was $6,810,700 less than budgeted for the same time period. The net underutilization, amounting to $11,303,600, represents 5.6 per cent of the appropriations. In addition, other income recorded for the biennium amounted to $1,592,400, which was $220,100 higher than budgeted. Information on the major factors contributing to variances between actual and budgeted income and expenditures is provided in paragraphs 9 to 13 below.

Underutilization of gross budget estimates

9. The major factor contributing to the underutilization of budgetary estimates was the limitation of cash resources available for financial implementation of the budget during the biennium. The continued irregular payment or non-payment of assessed contributions by some Member States necessitated a hold-back of allotments and the practice of restricted recruitment led to higher-than-budgeted vacancy factors. The ability of the Organization to release funds for programme implementation was hampered by the need to ensure that sufficient cash was available to meet ongoing commitments - especially staff costs - and to cover other obligations of the Organization.

10. The unutilized budgetary estimates under staff costs ($9,942,200) resulted mainly from a higher average vacancy factor (12.3 per cent for Professional-level and 2.4 per cent for General Service-level posts) experienced during the biennium than that approved in the budget (5 per cent for Professional-level posts and 0 per cent for General Service-level posts) and from lower actual average standard salary costs for Professional-level posts than budgeted. Owing to the hold-back of allotments, other staff costs, including temporary assistance, consultants, overtime and ad hoc expert group meetings, were below the amount budgeted.

11. The underutilization of the budgetary estimates for staff costs was achieved after financing the staff reduction exercise implemented in the final quarter of 1993. The increased requirement under common staff costs for this purpose amounted to approximately $5.2 million. Provision was also made in 1993 against the liability for reimbursement of income taxes made on behalf of staff members ($950,490) during the period 1986 to 1991.

12. The underutilization of budget estimates in other major objects of expenditure arose owing to the need to hold back allotments, maintain strict financial control over expenditure and to effect efficiencies and economies during the biennium. In particular, cost reductions were achieved in the general operating costs of the Vienna International Centre (VIC) complex, in utility costs and communications. Electronic data-processing (EDP) non-staff costs were held below the amount budgeted mainly because of reductions in the cost of the facilities management. Expenditures for printing (joint service with the International Atomic Energy Agency (IAEA) and interpretation (joint service with the United Nations Office at Vienna (UNOV)) were below the amount budgeted, thereby contributing to the overall underutilization of budgeted estimates.

Cost reimbursement income

13. The shortfall of $6,810,700 for the 1992-1993 biennium in cost reimbursement income received from other agencies in the VIC for joint and common services managed by UNIDO, resulted from the following:

(a) Income received from IAEA and UNOV was below the amount budgeted by approximately $5.6 million owing to (i) the economies and efficiencies in expenditures for VIC general operating costs referred to in paragraph 12 above and (ii) the lower actual cost of staff salaries and common staff costs as compared with standard salary costs. This lower cost was due primarily to the high proportion of General Service-level staff in Buildings Management;

(b) Income from UNOV in respect of the cost-shared Languages and Documentation Services was below the amount budgeted by approximately $0.6 million owing to the high vacancy rate of UNIDO cost-shared established posts, which resulted in the use of temporary assistance staff financed by UNOV. This loss of income was offset by reduced staff cost expenditures for UNIDO (see para. 10 above);

(c) Shortfall in projected income of approximately $0.6 million owing to the withdrawal of IAEA from the joint language training programme managed by UNIDO.

B. Operational budget

14. The operational budget is funded mainly from the support cost income earned on the delivery of technical cooperation projects and from technical services provided by the Organization. Technical cooperation delivery in the 1992-1993 biennium amounted to $254.4 million. Income earned on this delivery to the amount of $29,390,000, together with the net income from technical services of $1,543,400 and miscellaneous income of $1,487,500, brought the total income for 1992-1993 to $32,420,900.

15. The estimated incomes for the 1992-1993 biennium from all sources of funds under the operational budget had been initially estimated at $53,854,100 (GC.4/42, table 2 (b)). The shortfall of $21,433,200 in actual incomes ($32,420,900) compared to the budget estimates was offset to some extent through the introduction of cost reduction measures during the biennium, including reduction in staffing. The measures were taken with a view to reducing expenditure to sustainable levels by the end of 1993.

16. Expenditure for the 1992-1993 biennium was $40,293,200 or 30.4 per cent lower than the

OPERATIONAL BUDGET

Reserve and fund balance
(In thousands of United States dollars)

Balance at 1 January 1992		
Statutory reserve	5,504.2	
Fund balance	4,225.0	
Total reserve and fund balance		9,729.2
Income and expenditure, 1992-1993		
Income	32,420.9	
Expenditure	40,293.2	
Surplus/(deficit) for 1992-1993		(7,872.3)
Total reserve and fund balance at 31 December 1993		1,856.9
Comprising		
Statutory reserve		5,504.2
Fund balance		(3,647.3)
Total		1,856.9

initial estimates of $57,830,400 (at an exchange rate of US$ 1 = AS 11.26) due to a reduction in staffing levels in the operational budget and to stringent controls introduced during the biennium for other expenditures, including travel, consultants, ad hoc expert group meetings and EDP.

17. The shortfall of $7,872,300 between income and expenditure for the biennium was financed from the fund balances, including the statutory reserve of $9,729,200 that had been carried forward from the 1990-1991 biennium. As a result, the statutory reserve balance was effectively reduced from $5,504,200 to $1,856,900 during 1993.

II. EXPLANATIONS TO THE FINANCIAL STATEMENTS 1992-1993 INCLUDED IN THE REPORT OF THE EXTERNAL AUDITOR (IDB.13/7-PBC.10/8)

18. The financial statements of the Organization for the biennium ended 31 December 1993 were prepared in accordance with financial regulation 10.2 and have been submitted to the External Auditor in accordance with financial regulation 10.7. The statements are included in part III of the report of the External Auditor (IDB.13/7-PBC.10/8). The following paragraphs contain explanations to those statements and should be read in conjunction with part III of that document.

19. Statement I: Status of appropriations shows, by programme, actual income and expenditure (equals disbursements plus obligations charged to the biennium) compared with the appropriations approved by the General Conference. In accordance with paragraph 2 of resolution GC.4/Res.27, the Austrian schilling component of the original appropriation has been converted to United States dollars at the average exchange rate of US$ 1 = AS 11.26 experienced during the biennium. Expenditure was $18,114,311 less than budgeted while income was $7,030,759 short of the estimate, notwithstanding the inclusion of $1,109,914 "not estimated in GC.4/Res.27".

20. Schedule 1.1 shows, by programme, the revisions to the appropriations at US$ 1 = AS 12.90 as submitted to the General Conference (GC.5/26).

21. Schedule 1.2 is an analysis of other income which, in the 1992-1993 biennium, totalled $1,592,434 compared with $3,511,142 in the previous biennium.

(a) Bank interest received during the 1992-1993 biennium ($2,414,243) showed a significant increase compared with the 1990-1991 biennium ($1,424,631) owing primarily to interest earned on the Working Capital Fund that was fully restored to its established level during the 1992-1993 biennium.

(b) During the biennium under review, the Organization recorded a net loss on exchange of $2,204,876 related to transactions in currencies other than United States dollars and on the revaluation of bank balances held in Austrian schillings compared with a gain of $583,065 in the previous biennium. This item is not related to the split-currency system of assessed contributions, which is dealt with in paragraph 23 below.

22. Schedule 1.3 shows expenditure and income by major object of expenditure compared with the revised appropriations valued at US$ 1 = AS 11.26.

23. Statement II A presents income and expenditure for the biennium commencing with the original assessment of Member States (see note 2(a)). The value of the assessment is increased by $2,408,829, resulting from the effect of the exchange rate fluctuations during the biennium on the value of assessed contributions (see note 2(b)), bringing the total income from Member States to $200,091,271. After adding income (statement I) and deducting expenditure (statement I), the provisional excess of income over expenditure was $8,674,693. This figure will remain provisional until such time as the actual value of arrears of contributions is established and a final balance, also taking into account possible savings in unliquidated obligations, is determined as at 31 December 1994, i.e. as at the end of the twelve-month period following the end of the fiscal period, in accordance with financial regulation 4.2(b).

24. The analysis at the lower part of Statement II A shows that, as at 31 December 1993, outstanding assessed contributions of $36,814,839 for the biennium 1992-1993 are required from Member States to finance:

(a) The excess of disbursements over receipts of $11,974,471 plus;

(b) Unliquidated obligations of $16,165,675 plus;

(c) The provisional excess of income over expenditure of $8,674,693.

25. Statement II B: Statement of surpluses due to Member States shows, for each biennium for which assessed contributions remain unpaid and in respect of contributions from new Member States, the surpluses due to Member States after taking into account savings on liquidation of obligations established in previous bienniums and unpaid contributions. The provisional nature of the surpluses is explained in note 2(d).

(a) The final excess of income over expenditure for the 1988-1989 biennium of $6,496,192, less unpaid assessed contributions of $454,445, has been retained in accordance with paragraph (d) of decision GC.4/Dec.15.

(b) The final excess of income over expenditure for the 1990-1991 biennium ($8,746,822), less unpaid assessed contributions of $2,414,538, has been retained in accordance with decision GC.5/Dec.14, paragraph (e).

26. Schedule 2.1 is an analysis, by programme and major object of expenditure, of savings on liquidation of obligations for the 1990-1991 biennium ($2,242,258) shown in statement II B.

27. Schedule 2.2 shows the final status of appropriations for 1990-1991 after taking into account savings on liquidation of obligations included in expenditure reported at the end of that biennium.

28. Statement III summarizes the assets and liabilities of the General Fund as at 31 December 1993.

(a) Arrears of assessed contributions totalled $39,768,866, compared with $30,445,733 at the end of the previous biennium, and contributions from new Member States totalled $155,520, compared with $137,985 for the previous biennium.

29. Schedule 3.1 provides the status of assessed contributions to the regular budget of Member States and new Member States as at 31 December 1993. As of that date, unpaid contributions for the 1986-1987 biennium amounted to $142,944; for 1988-1989: $475,694; for 1990-1991: $2,490,909; and for 1992-1993: $3,796,238 and AS 396,222,643 (equivalent to $33,018,554 at an exchange rate of US$ 1 = AS 12.00) thus yielding a total outstanding equivalent to $39,924,386 as at 31 December 1993. Of the 166 Member States, 56 Member States, or 33.73 per cent of UNIDO's membership, had fully paid their contributions up until and including the 1992-1993 biennium. Sixteen Member States, or 9.64 per cent, had made no payments and 94 Member States, or 56.63 per cent, had made only partial payments.

30. Schedule 3.3 shows from which sources funds were derived ("provided by") and how those funds were used ("utilized for").

(a) Funds totalling $224,937,863 were received by the General Fund during the biennium. Of these, $192,045,973 were provided by Member States; other income was $30,943,140; and a reduction in the net balance of accounts receivable offset against accounts payable provided a further $1,948,750.

(b) Funds totalling $225,741,212 were disbursed from the General Fund during 1992-1993; $207,950,315 against the appropriations for that biennium; $7,600,897 in liquidating obligations of the biennium 1990-1991, $8,190,000 in repayment of the advance from the Working Capital Fund; and $2,000,000 for partial repayment of the loan from the United Nations.

(c) The net outflow of funds from the General Fund during the biennium of $803,349 served to decrease the cash balance from $8,923,838 as at 31 December 1991 to $8,120,489 as at 31 December 1993.

31. Statement IV sets out the position of the Working Capital Fund and schedule 4.1 the status of Member States' contributions to that Fund. As at 31 December 1993, arrears from Member States totalled $103,800.

32. Statement V - Tax Equalization Fund: This Fund was closed effective 31 December 1992, as explained in note 3 to the financial statements.

33. Statement VI: Special account for programme support costs shows that support cost income in 1992-1993 at $32,420,870 was $7,862,830 or 19.5 per cent lower than in 1990-1991 and expenditure at $40,293,157, $1,433,928 or 3.4 per cent lower. The main decrease in income ($6,958,107) was in respect of UNDP-financed activities, due to the introduction of UNDP support cost successor arrangements coupled with a decrease in delivery.

34. Schedule 6.1 gives details of cash resources making up the item "cash - $2,321,510" in statement VI.

35. Statement VII provides a statement of income and expenditure and of assets, liabilities and fund balances as at 31 December 1993 in respect of UNIDO technical cooperation activities.

(a) In respect of the Regular Programme of Technical Cooperation and UNDP activities, income is represented by allocations which, in accordance with normal practice, equal expenditure for the reporting period. In the case of the UNDP programme, unspent allocations of $46,871,435 represent the residual value of UNDP projects under implementation in 1993, i.e. the total value of the budgets for those projects less cumulative expenditure to 31 December 1993 on the same projects.

(b) Analyses of the following items are provided in the notes to the financial statements contained in annex I to the report of the External Auditor (IDB.13/7-PBC.10/8):

	IDF (note 4)	Trust funds (note 5)	UNDP (note 6)
Accounts receivable	1,534,869	1,303,220	1,459,749
Deferred charges	-	228,739	6,022,520
Accounts payable	1,847,344	2,250,280	9,617,398

(c) The operational reserve of the Industrial Development Fund (IDF), established pursuant to financial rule 106.14, is maintained at the level of $550,000 in accordance with decision IDB.2/Dec.7.

(d) The amount of $15,796,818 shown as due from UNDP will, in accordance with existing arrangements with UNDP, be drawn from UNDP as required for settlement of unliquidated obligations and other accounts payable.

(e) Four schedules are presented in support of statement VII.

36. Schedule 7.1 is an analysis of firm pledges to IDF, commencing with balances brought forward from the United Nations Industrial Development Fund and of collections since 1 January 1987. The

value of pledges unpaid ($30,451,199 - column 10) is shown as an asset of the Fund in statement VII, while advance payments ($11,723,498 - column 11) are shown as a liability and pledges of $35,163,448 for 1994 and future (column 6) are shown as deferred income.

37. Schedule 7.2 summarizes transactions on each of the subaccounts that make up IDF commencing with the fund balance as at 1 January 1992.

38. Schedule 7.3 is a summary of transactions of trust funds commencing with the fund balance as at 1 January 1992.

39. Schedule 7.4 is an analysis of UNDP-financed implementation for the biennium 1992-1993 that distinguishes between implementation in respect of projects approved under the old support cost arrangements (old regime) and implementation in respect of those approved under the successor arrangements (new regime).

40. The total support cost income from UNDP for the biennium ($16,267,416) is shown as income in statement VI.

III. ACTION REQUIRED OF THE COMMITTEE

41. The Committee may wish:

(a) To take note of the financial performance report for the biennium 1992-1993 (IDB.13/6-PBC.10/7);

(b) To take note with appreciation of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1992-1993 ended 31 December 1993 (IDB.13/7-PBC.10/8).

Annex I

REGULAR BUDGET
FINANCIAL PERFORMANCE REPORT FOR 1992-1993 BY MAJOR PROGRAMME
(In thousands of US dollars)

Major programme	Budget estimates 1992-1993 at US$1 = AS 11.26 (a)			Actual expenditure/income 1/1/92 to 31/12/93 (b)			Unutilized balance at 31/12/93 (c)=(a)-(b)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 - Policy-making organs	2,851.7		2,851.7	2,221.9		2,221.9	629.8		629.8
200 - General Management	6,898.9		6,898.9	6,268.7		6,268.7	630.2		630.2
300 - Programme and Project Development	37,134.6		37,134.6	35,208.6		35,208.6	1,925.9		1,925.9
400 - Industrial Promotion, Consultations and Technology	22,274.5		22,274.5	22,032.7		22,032.7	241.9		241.9
500 - Industrial Operations	37,071.4		37,071.4	35,721.6		35,721.6	1,349.8		1,349.8
600 - Common programmes	17,714.8		17,714.8	16,505.7		16,505.7	1,209.1		1,209.1
700 - External Relations, Public Information, Language and Documentation Services	30,707.8	4,097.7	26,610.1	25,877.8	3,522.3	22,355.5	4,830.0	575.4	4,254.6
800 - Administration	87,576.5	33,819.9	53,756.6	80,278.9	27,584.6	52,694.3	7,297.6	6,235.3	1,062.3
Total	242,230.3	37,917.7	204,312.6	224,116.0	31,107.0	193,009.0	18,114.3	6,810.7	11,303.6

Note: Adjusted as described in IDB.11/6-PBC.9/8 and noted in IDB.11/Dec.30.
Reflects gross and net budgets as described in document IDB.10/11/Add.1.
Budget estimates shown in GC.4/Res.27 restated at US$1 = AS 11.26.

Annex II

REGULAR BUDGET
FINANCIAL PERFORMANCE REPORT FOR 1992-1993 BY MAJOR OBJECT OF EXPENDITURE
(In thousands of US dollars)

Major object of expenditure	Budget estimates 1992-1993 at US$1 = AS 11.26 (a)			Actual expenditure/income 1/1/92 to 31/12/93 (b)			Unutilized balance at 31/12/93 (c)=(a)-(b)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
Staff costs	169,076.5	18,814.5	150,262.1	159,134.4	15,380.9	143,753.5	9,942.2	3,433.6	6,508.5
Official travel/meetings	3,700.4	13.3	3,687.1	2,721.8	15.8	2,706.0	978.6	(2.5)	981.0
Contractual services	778.6		778.6	603.4		603.4	175.2	0.0	175.2
General operating expenses	33,778.6	17,915.6	15,863.0	28,242.1	14,647.2	13,594.8	5,536.6	3,268.4	2,268.2
Supplies and materials	1,245.1	316.4	928.7	1,165.4	262.2	903.2	79.7	54.2	25.5
Acquisition of furniture and equipment	1,094.3	446.5	647.8	992.1	378.5	613.6	102.3	68.0	34.2
Improvement to premises	300.0		300.0	300.0		300.0	0.0	0.0	0.0
Technical cooperation	12,149.8		12,149.8	12,133.8		12,133.8	16.0	0.0	16.0
Non-staff electronic data-processing costs	7,231.6	407.2	6,824.4	6,774.1	415.6	6,358.6	457.5	(8.4)	465.8
Other expenses	12,875.3	4.1	12,871.1	12,048.9	6.9	12,042.0	826.4	(2.7)	829.1
Total	242,230.3	37,917.7	204,312.6	224,116.0	31,107.0	193,009.0	18,114.3	6,810.7	11,303.6

Note: Reflects gross and net basis budgets as described in document IDB.10/11/Add.1
Budget estimates in GC.4/Res.27 restated as US$1 = AS 11.26.